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Organizations.

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[] Trends and changes in the construction industry

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[] New trends and changes in organization of the construction industry.

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General remarks and contents

[] the organizational changes which were carried 25X1

out during the years 1957-59 and trends and directions for further reforms in this organization.

When quoting various resolutions of the Polish government [] uses the article 25X1 written by Janusz Stepinski, Vice Director of the Construction Department of the Economic Planning Commission of the Ministers Council. It was published in Inwestycje i Budownictwo, No 8, 1958, under the title "New Organization of the Construction Enterprises". Other information is based on his employment as vice-minister of the Ministry of Construction and Building Materials Industry, especially on studies and preparatory work on re/organization by the governmental party commission in 1957 of which he was a member.

1. Introduction

The organizational changes are in several directions:

- a. Decentralization of superior authority over the enterprises
- b. Increase of the authority of enterprise directors.
- c. Introduction of workers self-government autonomy
- d. Authority of Peoples' Councils concerning the construction economy

These changes began after the National Convention of Construction which took place in April 1955, during which the current organization was very sharply criticized. This process of reorganization continued almost three years and was brought to the present stage by the "Resolution of the Ministers' Council, 21 February 1958 concerning principles and method of introduction of new organization in the construction industry".

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On the basis of this general resolution the Minister of Construction and Building Materials Industry on 24 March 1958 issued a "Detailed ordinance concerning the fundamental principles of activity and the sphere of authority of the state construction enterprises and boards of administration of the Ministry of Construction and Building Materials Industry, and concerning ^{superior} administrative organization of construction-assembly enterprises". This resolution of the Ministers' Council and the ordinance of the Ministry of Construction and Building Materials Industry closed the first stage of reorganization and are the basis of the present organizational structure of the construction industry in Poland.

2. Restriction of the authority of superior executive organs in construction industry

The former central administration having centralized authority over the enterprises were replaced by administrations which have a different character and which do not administer as before but which coordinate, control and represent the mutual interests of a given group of enterprises. The authority of these administrations was strictly defined. They have fewer rights than the former central administrations and their authority is restricted to the following functions:

- a. Preparation of concepts and plans for development of their enterprises.
- b. Coordination of production tasks of the given group of the state construction-assembly enterprises and adjustment of contracts to the potential of the enterprises.
- c. Coordination and control of the activities of construction-assembly enterprises to secure a concurrence of their interests with the interests of the national economy.
- d. Representing the given group of enterprises to the superior authorities.
- e. Initiating and carrying out mutual economic activities and technical, social and cultural enterprises or projects.
- f. Activities to secure the realization of tasks by the state construction-assembly enterprises and the improvement of their technical, organizational and economic efficiency.

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- g. Conducting of independent economic activity (exploitation and investment).

The administration is an organizational executive unit with legal rights and is financed by the subordinate enterprises who ^{donate} ~~do not~~ about 15% of their turnover. A technical-economic council composed of representatives of the subordinate enterprises was created in the administration and by this, the enterprises have an advisory voice in their administration. At some administrations, a collegium was formed composed of the directors of subordinate enterprises who vote at the meeting on decisions made by the administration. However this does not meet the demands of the enterprises who want the administrations to be replaced by associations governed by a collegium of enterprise directors with an elected chairman, but the government did not agree to this.

3. The increase of authority and rights of enterprises

The restriction of authority of the former central administrations permitted an increase in the authority of the enterprises. The new statute of a construction-assembly enterprise in force since 1958 says:

- a. The yearly plan of an enterprise is fixed by the enterprise itself on the basis of orders and contracts received.
- b. The superior authorities influence the preparation of the plan by giving the enterprise the following three basic elements of the plan:
Allocation of funds by the state for its own investments, Allocations of funds for other needs, and payments by the enterprise to the state budget and to the account of superior authorities.
- c. Besides that, the superior authorities have a right to order corrections of the plan as prepared by individual enterprises. They can in reasonable cases order the inclusion of a contract in the yearly plan of the enterprise, and they can also forbid the implementation of construction work located outside the area assigned to the enterprise.
- d. The enterprise creates its own fund for capital repair and investments from the depreciation rates. A part of profits above the planned level plus the depreciation ~~from~~ ^{from} the so-called "Development fund of the enterprise" (Fundusz Rozwoju Przedsiębiorstwa) which can be used by the enterprise as its own means.
- e. The "Enterprise (factory) Fund" (Fundusz Zakładowy Przedsiębiorstwa) obtained from profit is administered by a special self-government board and not by the management of the enterprise. Use of this fund is regulated by some instructions which restrict some payments, e.g. for premiums and awards.

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A further restriction on free use of the Enterprise Fund is a regulation that an excess of wage fund reduces the payments for awards from the enterprise fund. The regulations concerning management of wage funds are very strict and were laid down in a directive of the Ministers' Council on 13 June 1958 concerning the enterprise fund in construction-assembly enterprises.

- f. A very important innovation is the enterprises' right to define the wage fund. The amount of this fund is fixed by the enterprise itself on the basis of norms of work in estimates based on official price lists and norms. A director approves this wage fund and afterwards the Investment Bank controls it very strictly to make sure the payments from the wage fund are in conformity with bills prepared by the enterprise for the work implemented.

The superior authority of the enterprises (the former central administration) also checks the fund approved by the director of an enterprise by comparing with past years, by economic analysis, etc. All this control of the wage fund is regulated very strictly by the Resolution of Ministers' Council, 22 March 58, concerning the principles of planning and control of the wage fund in state construction-assembly enterprises.

This is the most important matter for the directors of construction enterprises and a basis of their independence. During the national convention of construction this problem was most bitterly argued. In spite of an apparent success in the form of the above-mentioned resolution and a theoretical right of the director to set his own wage fund, in practice this fight was lost by the directors of the state construction-assembly enterprises for not much was changed in this field; as before, the enterprises do not have freedom and proper authority about the wage fund and they get orders from the superior echelons. The government does not intend to relax this control. The following example published in Fundamenty, 14 June 1959, "Screwing up to the limit ofcommon sense", illustrates this problem:

....."Bydgoszcz Industrial Construction Enterprise- one of the best in Poland- got the index of value of direct work (earned wages of blue-collar workers) of 14.5% imposed. The superior authority based its decision exclusively on the results of the past year. Because the enterprise achieved last year an index of direct work of 16.5%, the index for 1959 was reduced by 2.0%. The screw was tightened."

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Further on, this article says that the Bydgoszcz Industrial Construction Enterprise has to implement such key industrial projects as:

Phenol Factory in Legnowo (adaptation)

Lime Combine in Piechcin, and

Grain depot (silos) (location unknown) built by slip-form system

It must work overtime in order to implement these projects in time as ordered by government resolutions; therefore, the enterprise demands that a proper index be fixed on the basis of an analysis of the categories of work. According to Fundamenty "The people say: 'the more you work the more you are beaten'". This situation results from the following: The norms of work on the basis of which the director fixes the wage fund are artificially lowered and do not correspond to the real amount of money necessary to pay for the implemented work. The bank controls very strictly but not always properly: it relies on invoices and only a part of the sum indicated in the invoice can be used for payments for labor. It is forbidden to transfer either white collar or manual workers in the wage fund.

Besides that, every time when there are difficulties with goods on the market or a threat of inflation, the government issues confidential and secret directives to the bank ordering the tightening of control and the withholding of payments for labor for some time. As often as they tried to give full freedom-- as in 1957-- the sum of payments in the enterprises increased rapidly and the government again introduced very stiff controls, which were severely felt by the directors of the state enterprises as a brake on work and as an unwise restriction. When working norms, price lists of earnings, tables of wages and strict regulations concerning salaries of white collar workers were established they are felt as additional burden. However, the government knows that a control ex-post facto and eventual sanctions are not sufficient and that it has to prevent the payment of large sums because there may be a crisis of inflationary character.

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- g. The resolution of the Ministers' Council concerning wages in construction, published on 7 March 1957, offered some progress in the scope of activities of the enterprises; the hourly wages were increased and the existing division of the country into three regions for wages were abolished. The gap between impractical theoretical rates and real wages diminished, the long pencil system was reduced, and the managing engineers falsify the wage lists to a lesser extent. The reform of wage rates was insufficient; it lessened the problem but did not succeed in eliminating it. Only the most fictitious norms and wage rates were corrected. The restriction of the piece-time work system to work which could be strictly measured represented further progress. Before this resolution was introduced, all work had to be performed on the piece-time work system which led to an absurd situation. Piece-work dropped from about 90% in 1955 to 70% in 1959 which still included some fictitious piece-work, up to about 20%, so the real rate was about 50%.
- h. One of the most important matters brought to light by the National Convention of Construction was the problem of authorizing the director of an enterprise to buy on the private market. The resolution of the Ministers' Council forbidding state enterprises to buy from the private sector or to sell to private individuals without permission of superior authorities is the source of enormous bureaucratic confusion and in practice ends the purchase of gravel and sand from farmers. On the basis of this resolution the government between 1951-1955 began to prosecute cases of work given to artisans and horse-wagon carriers, etc. Some mitigations were introduced in 1957-1958 and the director of a state enterprise was permitted to give an order to a private artisan or an engineer, but not above 2000 zlotys worth. In 1959 again in spite of promises given by Gomulka in 1956-57 about the support of handicrafts, the persecution of private industry started under the slogan the fight against speculation, and at present the state enterprises^{are} almost entirely restricted in giving orders for work and services to artisans. In connection with this [] quotes from the article "What is hindering the development of artisans craft" in Zycie Warszawy, 27 June 1959:
-"As the result of orders forbidding the state enterprises to use the services of artisans, many orders were lost.... As a consequence of this several establishments have already been closed, e.g. in the city of Warsaw 502 and in Warsaw voivodship 725 workshops..."

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In general a return to the monopoly of state and cooperative establishments in construction is visible. The state construction industry again exclusively controls the field as before 1956, the only difference being the revival of Peoples' Construction Enterprises and construction cooperatives, both of which belong to the socialized and not to the private sector. In practice there is almost no difference whatever between peoples' construction enterprise and a state construction enterprise.

4. The role of workers autonomy.

The workers councils in the enterprises, which were spontaneously created in October 1956, started acting like owners of the enterprises. This tendency was stopped by Gomulka in the following way:

- a. Workers councils were restricted to an organization on one level only. Workers Councils exist in the enterprise but have no equivalent on the level of the administration (former central administration) or in the Ministry. In Yugoslavia for comparison there is a "worker's' autonomy" on all levels and there is even something like a parliament of workers' autonomy on the national level.
- b. The workers' councils were subordinated to the "non-popular" trade unions and, since 1958, mixed workers selfgovernment boards were created to which the Basic Party Organization of PZPR, the Workers' Council of the Trade Union and the Workers' Council elected by all employees belong.

This entire creation called "Workers' Autonomy" is mainly directed by the Party and in this way the entire idea of Workers' Councils was sidetracked.

- c. Workers' Autonomy has some rights which restrict the authority of an enterprise, but not of the superior authorities. It means that the government gave some rights to the workers under pressure, and did not give up any of its own authority. Thus the director of the enterprise, who has lost some authority, must coordinate several matters with this workers autonomy board.

There is a tendency to keep these worker bodies under the influence of the party, not permitting an increase in its rights, and even gradually restricting its

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role; further their initiative and energy is directed to disputes with management which is called social control of the administration.

5. Authority of the people's councils concerning the construction economy.

The transfer of some authority to the Peoples' Councils from the central authorities and the Ministry is viewed as an achievement in the field of decentralization.

The resolution of Ministers' Council of 25 January 1959, gives the peoples' councils the right to look into the state construction enterprises located in their area. Also the transfer of the former central administrations of general construction from Warsaw to the voivodship towns results in greater influence by the peoples' councils on these regional construction administrations. In some cases the peoples' councils are taking over the control of construction enterprises, but only urban construction enterprises, (Lublin in 1958, Katowice in 1959 and at present also in Krakow).

However, from the point of view of the construction enterprise, this decentralization and transfer of authority from Warsaw to the voivodships and from the pure state administration by government ^{appointed} ~~appointed~~ officials to the elected peoples' councils is of no major importance. First of all the elections are mostly sham, secondly the control performed by the peoples' councils is based on the same regulations. At present in this transition period, the enterprises are more controlled than ever because the inspections and controls performed by central authorities remain and the new local and additional controls by peoples' councils have been added. Therefore it is no wonder that bureaucracy was not reduced, as is illustrated by an article published in Fundamenty, 24 May 1959:

....." Two engineers and leading managers of large housing construction projects

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decided irrevocably to resign from their positions. "

....." For some time the construction manager is again flooded with new orders, instructions, etc... We counted about 100 documents which have to be signed ~~each~~ ^{every} day. Each of them in case of an omission, which is not difficult, can start an intervention by the public prosecutor. We have to sign these without having an opportunity to check them. In such conditions we have no time to take care of technical matters of construction...."

However there is an explicit tendency to increase the influence of the peoples' councils on the construction economy and in the next five years almost the entire urban construction (housing, settlements, schools, hospitals, shops, etc.) will be transferred to the administration of the peoples' councils.

6. Summary.

The discussion about the reorganization and decentralization of the construction industry has been going on since 1956. Some measures were taken which were called decentralization of authority. In fact however, this was only shuffling and bargaining on the higher levels. The government gave some more rights to the Ministers and to the Peoples' Councils at the cost of the State Economic Planning Commission and the Ministry of Finances. The Ministers restricted the rights of the central administrations a little, and at the cost of the central administrations, the enterprises increased their rights a little. But at the same time the Peoples' Councils started additional controls of the enterprises, so the enterprises were again restricted in their independence. The government gave authority to the workers' autonomy in the enterprises mainly at the cost of the director of the enterprise. On the whole the main request of the enterprises, i.e. an increase of the authority of the director, were not fulfilled.

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After all the apparent concessions and reforms to satisfy this demand, an enterprise director has, in practice, no more authority than before. His situation cannot improve because the government will not change the principal regulations about wage funds. Deliveries and services for the state enterprises by private artisans, and the decisive influence of the party on the enterprise. The party statute contains a paragraph on control of the basic party organization in the enterprises, but this statute was never voted by the Sejm and from the legal point of view the party has no right to control an enterprise.

The demands of the Economic Council for the full introduction of economic incentives for the revival of the activities of enterprises to replace administrative planning have not been fulfilled. This problem will not be solved without far-reaching reforms and without the introduction of ^a uniform system of profit-bringing and not deficit prices.

Since 1958, in the construction industry the comparison of offers submitted by two or more enterprises for a few complicated projects has been permitted. (e.g. Starzynski bridge in Warsaw was ordered after such limited bidding), but as a rule the monopoly of the state construction-assembly enterprises remains and there is no tendency to liquidate it.

Summing up it should be stated that only a few of the requested reforms were realized. The period 1956-1959 is a period of insignificant liberalization of regulations, central planning and management, but at the same time it is a time of strangulation of reforms demanded by the construction industry since 1955-56. There is some progress in comparison with the centralization of the period 1950-1955, but this progress is far behind that which was hoped for in 1956.

At present there is a tendency to stabilize the current situation and not permit any further increase of authority of directors of enterprises, or rights of

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workers' autonomy, and as well to restrict the role of private enterprises. There is a desire to increase the authority of Peoples' councils and to make some reforms in the field of planning and financing of investments. The last does not belong strictly to the construction industry, but has an influence on this industry. In addition, the new housing and agricultural policies described before reflect directly on some liberalization of regulations concerning the activity of the construction enterprises.